



**Attachment 3**

*Michael C. Schlachter, CFA  
Managing Director*

February 11, 2008

Dr. Russell Read  
Chief Investment Officer  
California Public Employees' Retirement System  
400 P Street, Suite 3492  
Sacramento, CA 95814

Re: Inflation-Linked Asset Class Delegations

Dear Russell,

Staff has presented to us the delegation resolution for the SIO Asset Allocation / Risk Management and for the new Inflation-Linked Asset Class. We have reviewed this document and believe that it should be approved by the Investment Committee in its present form.

The delegated authority contained in the document repeatedly references guidelines set forth in the various policies in the context of total asset allocation / rebalancing and for the commodities and inflation-linked bonds sub-asset classes contained in the Inflation-Linked Asset Class. This document contains no additional delegated authority beyond what has been presented and approved in the various policies.

It should be noted that there is no delegated authority contained within this document for infrastructure and forest investments. At this time, the SIO has no delegated authority for these two sub-asset classes.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael Schlachter', with a long horizontal flourish extending to the right.

Michael C. Schlachter, CFA